

FEDERAL ELECTION COMMISSION
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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

AUDIT REFERRAL: 03-09
DATE REFERRED: October 31, 2003
DATE ACTIVATED: February 2, 2004

EXPIRATION OF STATUTE
OF LIMITATIONS: 8/2/04 - 2/1/06

SOURCE: Internally Generated (Audit Division)

RESPONDENTS: Missouri Republican State Committee—Federal
Committee and Harvey Tettlebaum, as treasurer

**RELEVANT STATUTES AND
REGULATIONS:** 2 U.S.C. § 434(b)
11 C.F.R. § 102.5(a)
11 C.F.R. § 104.10(b)(4)
11 C.F.R. § 106.5(g)

INTERNAL REPORTS CHECKED: Audit Documents
Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. INTRODUCTION

The Commission audited the Missouri Republican State Committee—Federal Committee (“the Committee”) pursuant to 2 U.S.C. § 438(b). The Commission’s audit revealed that the Committee misreported over seven million dollars of financial activity from January 1, 1999 through December 31, 2000. See Attachment 1. This Office recommends that the Commission open a MUR, make appropriate reason to believe findings, and enter into conciliation with the Committee.

II. BACKGROUND

The Committee is a state party committee that maintains both federal and nonfederal accounts. In a 1999 letter to the Reports Analysis Division ("RAD"), the Committee claimed that it conducted a routine inquiry of its finances and discovered numerous accounting and reporting errors. The Committee then filed amendments to its disclosure reports that revealed significant amounts of previously unreported financial activity. RAD subsequently referred the Committee to the Office of General Counsel for possible compliance action regarding the Committee's 1998 election cycle activity. *See* MUR 5166. While that enforcement matter was proceeding, the Commission authorized an audit of the Committee's 2000 cycle financial activity.

In February 2003, the Committee signed a conciliation agreement in which it admitted to various reporting violations during the 1998 election cycle and agreed to a pay civil penalty of \$43,000. The Committee also agreed to institute new accounting procedures and to cooperate with the Commission's ongoing audit of its 2000 cycle activity. In October 2003, the Commission approved the Final Audit Report of the Committee, and the Audit Division subsequently referred two of its six findings to this Office for possible compliance action.

The first finding relates to the Committee's failure to properly pay for \$8,860,461 in shared federal and nonfederal expenses during the 2000 election cycle. *See* Attachment 1, pp. 3-5. Instead of paying this amount from its allocation account, the Committee paid the federal portion (\$2,722,920) directly from its federal account and paid the nonfederal portion (\$6,137,541) directly from its nonfederal account. *See* 11 C.F.R. § 106.5(g)(1)(i). The Committee also failed to report the nonfederal portion in its disclosure reports to the Commission. *See* 11 C.F.R. § 104.10(b)(4).

The second finding relates to the Committee's failure to accurately report \$1,558,281 in other financial activity during the 2000 election cycle. *See* Attachment 1, pp. 6-9. This amount includes various receipts, disbursements, and transfers that were either not reported or misreported to the Commission. All of these reporting errors have since been corrected by the Committee, which amended its disclosure reports in accordance with the recommendations in the Interim Audit Report.

III. FACTUAL AND LEGAL ANALYSIS

Based on the analysis set forth in the audit referral, this Office recommends that the Commission find reason to believe that the Committee and its treasurer violated 2 U.S.C. § 434(b) and 11 C.F.R. §§ 102.5(a) and 106.5(g).

IV. PROPOSED CONCILIATION

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V. GENERAL COUNSEL'S RECOMMENDATIONS

1. Open a Matter Under Review;
2. Find reason to believe that the Missouri Republican State Committee—Federal Committee and Harvey Tettlebaum, as treasurer, violated 2 U.S.C. § 434(b) and 11 C.F.R. §§ 102.5(a) and 106.5(g);
3. Approve the appropriate factual and legal analysis;³
4. Enter into conciliation with the Missouri Republican State Committee—Federal Committee and Harvey Tettlebaum, as treasurer, prior to a finding of probable cause to believe;
5. Approve the attached conciliation agreement; and
6. Approve the appropriate letter.

³ Respondents will be notified that the factual and legal basis for the Commission's findings can be found in the Final Audit Report.

4/21/04

Date

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General Counsel

Rhonda J. Vosdingh
Associate General Counsel for Enforcement



BY: Mark D. Shonkwiler
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Attachments:

1. Audit Referral
2. Proposed Conciliation Agreement

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